

**MINUTES OF THE REGULAR MEETING  
OF THE BOARD OF DIRECTORS  
OF THE BETHLEHEM AUTHORITY**

**SEPTEMBER 10, 2009**

The regular meeting of the Board of Directors of the Bethlehem Authority was held on September 10, 2009 in Conference Room B504, 10 E. Church Street, Bethlehem, PA. The meeting was called to order at 3:30 PM by Chairman Mark Jobes, with the following in attendance:

Richard Master, Secretary  
Vaughn Gower, Treasurer  
James Broughal, Esq., Solicitor  
John Filipos, Controller  
Stephen Repasch, Executive Director  
Sandra Reppert, Administrative Assistant  
Daniel Meixell, Special Officer

**APPROVAL OF MINUTES**

Chairman Jobes presented the minutes from the regular meeting held August 20, 2009 as circulated. Mr. Gower moved to approve the minutes from the August 20 meeting. Mr. Master seconded. Motion passed unanimously.

**RECOGNITION OF VISITORS / COURTESY OF THE FLOOR**

Chairman Jobes recognized:

- Mr. Joe Green, Senior Business Developer, Iberdrola Renewables
- Mr. Greg Fuller, Business Developer, Iberdrola Renewables
- Mr. Gene Auman, City of Bethlehem Deputy Controller
- Mr. Dave Brong, City of Bethlehem Director of Water and Sewer Resources
- Mr. Terry Faul, Esq., King, Spry, Herman, Freund & Faul
- Mr. Bud Cook, The Nature Conservancy
- Bethlehem Press

**REPORT OF THE CHAIRMAN**

**Financial Planning Effort – Update.** Chairman Jobes said that financial planning efforts remain the Board's top priority. Currently, the Authority's financial advisor, PRAG, is still working with Mr. Brong to finalize pro-formas, with the primary focus on funding water capital expenses desperately needed in the next five years. We are still pursuing the feasibility of a line of credit, the ability to restructure the Emmaus loan, and other options. Also, the State's budget impasse will have an impact on the City's

pension fund liability. It is planned to have a meeting at the end of September with all the parties to finalize the option to be taken.

*(It is noted that Mark Sivak, City of Bethlehem Budget Analyst, and David McGuire, LV Sierra Club, entered the meeting)*

Mr. Repasch said the Mayor is tentatively available September 28 from 1 to 3 PM. He also said that the City's financial advisor, Concord, contacted PRAG about the potential to refinance the 1998 bonds. Based on current market conditions, it appears savings have increased since this was last looked at. This and the potential combination of Emmaus loan restructuring are being looked at very closely.

## **REPORT OF THE EXECUTIVE DIRECTOR**

**Wind Energy Project Presentation.** Mr. Repasch reported that he, Mr. Gower and Mr. Tallarico toured the Locust Ridge Wind Farm in Schuylkill County a few weeks ago. Iberdrola Renewables (Iberdrola) developed the project and they were impressed by the professionalism in the operation of the project. Iberdrola representatives are here today to give a presentation to the Authority.

Mr. Joe Green and Mr. Greg Fuller introduced themselves to the Board. They are business developers for Iberdrola's regional office in Radnor, PA, and developed the Locust Ridge Wind Farm, which is the largest in Pennsylvania. Wind energy is an alternative renewable source and has been recognized as a way to achieve energy independence. Iberdrola is the world leader in wind power capacity and output and its parent company (Iberdrola SA) is the fourth largest electric utility in the world.

With regard to the Locust Ridge project, Locust Ridge I was built in 2006 with 13 turbines and Locust Ridge II was built in 2008 with 51 turbines. Both projects include multiple landowners, and two of the landowners in Locust Ridge II are municipal water authorities with 17 turbines on those lands. Iberdrola identified some of the Authority's land in both the lower (Wild Creek, Carbon County) and upper (Tunkhannock Creek, Monroe County) watersheds as potential sites for wind energy projects. Sufficient wind resources are expected and there is access to transmission nearby. These are large landholdings that are compatible with a wind farm. They did an initial site visit and have put together a preliminary layout of where turbines could be placed. The lower watershed has the potential for 32 turbines and the upper watershed is slightly larger with the potential for 38 turbines.

To go forward with any project, a land agreement must be entered into to begin measuring the wind, which defines the energy that the project can produce. Following are the environmental, transmission, aeronautical studies and so on, design work, permitting, construction and finally operation. The entire process takes approximately four to five years. The benefit to the Authority is the potential for increased income from the land with minimal impact to current land use. It also increases the tax base to the local communities.

Iberdrola has a proven track record of completing projects and has extensive internal resources (meteorologists, developers, power marketers). They also have the ability to do balance sheet financing. They are an experienced and qualified developer and make a good partner.

Mr. Green said he respects that the Authority's focus is maintaining the quality of and protecting the watershed. He has personally gone through the process of getting other water authority boards to be comfortable with this type of development on its property. His experience is people have a positive reaction, especially when looking at the issues that would affect a watershed, primarily run-off from construction activities. Iberdrola applies to DEP for the necessary permits and there are very frequent inspections to assure all the requirements of the permits are met. Water is filtered and maintained on site, there is no muddy run-off into streams, disruption to the environment is minimized, as few trees as necessary are cut, trees that are cleared for the large equipment are chipped and kept on site for sediment control measures, swales are filtered. Also, all of the back-up procedures and regulatory requirements for dealing with oils from the machines are followed. There is secondary containment of the oil to make sure there is no damage to the watershed. Iberdrola is a good partner who works well with landowners and the community.

#### Board Discussion.

Mr. Master queried Iberdrola's total investment for this project and the range of income if there were 70 functioning turbines in our watershed today. Response was the total investment is between \$250 - \$300 million. Conservative income estimates are ~\$4,500 per turbine per year. The wind resource is the factor. Typically, the summer months are low wind periods but that changes in the fall when the winds increase. Iberdrola has the operational experience and technical support to keep the turbines running as much as possible. Mr. Gower added there was some previous discussion on the choice of a fixed income amount or taking the risk along with the operations, which could be less than the fixed amount.

Chairman Jobes queried, as follows:

- How was the number of turbines determined at Locust Ridge and was it by the amount of land, the environment, or the county? Response was Locust Ridge has a distinct ridge and so the turbines could be placed easily. The topography is different and challenging on the Authority's property, especially in the upper watershed, where everything is flat. Spacing in between turbines, interference, and the predominant direction of winds must be considered. The lower watershed topography is challenging as well. Even if the highest portions of ridge are followed, the wind resource may come from a less than optimal direction. If the turbines are not placed correctly, they can become damaged over time. Everything must be done right so the turbines run for their entire useful life of 20+ years. Until the wind is measured on-site, there are a lot of unknowns.
- Are all the turbines at Locust Ridge operating at their maximum usage? Response was yes.
- Is there a decommissioning program after 20 years? Response was yes, the process is outlined in the land lease. The turbines and other structures in the ground are removed, underground power cables (four feet below) remain in place, roads remain as is, and the site is cleaned and seeded to allow nature to take over.

Chairman Jobes commented that the bird migration patterns will need to be studied and quantified. This is a big concern and he envisions potential issues and objections. Mr. Green responded Iberdrola takes this seriously and works with the State's agencies to make sure they do all the appropriate studies. It's difficult to say if the bird migration patterns in the Authority's watershed are similar to Locust Ridge. Iberdrola has to do thorough analyses of everything – wind, birds, bats, and any other issues that could be impacted. They are a party with the Pennsylvania Game Commission to adhere to certain levels of studies appropriate for certain sites. Defined studies can also take years, depending on the proximity of a project to known areas of high, medium or low concern. Also, if the earth-moving permit cannot be

obtained (NPDES) the project can't be built. Iberdrola is well trusted by the State and DEP. The Locust Ridge project has become the model project in the State for water run-off control.

Chairman Jobes thanked Mr. Green and Mr. Fuller for their presentation and the very informative information.

**Wind Energy Consultant.** Mr. Repasch presented a proposal from Broadlands Financial of Villanova, PA, for them to evaluate proposals on a developer's ability to finance, construct and operate a wind energy project. He and Mr. Tallarico met with two Broadlands representatives last week, and were impressed with their knowledge of the industry, especially renewable (solar and wind) energy. Broadlands is offering to evaluate potential wind energy projects proposed to the Authority at a cost of \$12,000 (\$6,000 per developer) which is slightly reduced from their original proposal since the Authority now has two interested developers.

#### **Board Discussion:**

Mr. Gower said the Authority needs to avoid mistakes in considering any potential wind energy projects because this is new to the Authority. We need someone to represent our best interests. As with both the Delsea and Iberdrola proposals, it's at least five years until the turbines are operational. But the first step is a land lease which would represent everything that will happen in those five years. This is why we need a consultant, but he doesn't see everything outlined in the proposal. Mr. Broughal said that accepting Broadlands' proposal would be conditioned upon the execution of a services agreement referred to in the proposal. The Board can outline all the specifics in the services agreement.

Mr. Tallarico said there are many comprehensive, extensive studies involved with wind energy. He agrees we need a consultant to advise if anything was missed – environmentally as well as financially.

Mr. Master said there will be many costs associated with such a project, for the Authority as well as the developer. We do not have the ability to finance all the expenses, so perhaps an advance on future revenues or some other options could be looked into. Otherwise, he supports the Broadlands proposal.

Mr. Gower said \$12,000 for the two (current) developers' proposals to be evaluated, plus \$6,000 per additional developers (if there are any or if necessary) is fair. Although Iberdrola seems to be a good company, that's not good enough for us to make a decision. And the Authority's sites they are looking at are different than that of Locust Ridge.

Mr. Gower moved to approve the Broadlands Financial proposal subject to the execution of a services agreement acceptable to the Solicitor and Board. Mr. Master seconded. Chairman Jobes said \$12,000 is a reasonable amount to spend to take the next step on this important topic. The services agreement will be scrutinized and maximized to fit the Authority's needs. Motion passed unanimously.

**H2O PA Grant Acceptance.** Mr. Repasch presented a commitment letter from the Commonwealth Financing Authority that needs to be executed by the Authority to formally accept the H2O PA Grant award for \$275,000 for valve repairs throughout the water distribution system. The projects can then move forward.

Mr. Tallarico moved to accept the H2O PA Grant and to authorize the Chairman and Secretary to execute the commitment letter. Mr. Gower seconded. Motion passed unanimously.

**Tower One Marketing Agreement.** Mr. Repasch presented a professional services agreement between the Authority and Tower One for Tower One to market the watershed property for the potential development of cell tower sites for cellular providers. (Tower One also has an agreement with the City to market City property, which has been in place approximately 6 months.) Tower One believes the Authority's watershed property would be very attractive to providers with its close proximity to I-80 and the Turnpike. This is a no obligation agreement and the Authority has the final say on if, where, or when a tower would be erected.

Mr. Broughal continued on to say that he reviewed the Tower One agreement and he recommends it. It is a two year agreement with a three day cancellation notice, and there is no cost to the Authority for Tower One to market the property. Tower One will find carriers for cell tower site development. Nothing happens on Authority property until a lease is executed between the Authority and the cellular provider. He is familiar with Tower One. They have been contacting local municipalities to market municipal lands for cell tower sites. Municipalities typically don't have a lot of property, so they force cellular providers to co-locate. (One tower can accommodate 6 providers at ~\$800 per month per provider.)

Chairman Jobes doesn't see any risk in looking into additional revenue sources.

Mr. Master moved to approve the professional services agreement with Tower One. Mr. Gower seconded. Motion passed unanimously.

**2004 Water Revenue Bonds Arbitrage.** Mr. Repasch reported that preliminary arbitrage reports done two years ago indicated that the 2004 Water Revenue Bonds had a positive arbitrage of ~\$380,000 due August, 2009. In August, the final report was completed which indicated that ~\$360,000 was due in 60 days to the IRS. The Authority's bond counsel reviewed the report and determined that there could be a way to blend negative arbitrage in an escrow account established in 2004 with the positive arbitrage. Prior to today's meeting, he was contacted by PRAG, who confirmed with bond counsel's tax lawyer that blending has resulted in no arbitrage payment due. In the beginning of 2008, \$215,000 was set aside by the Trustee in a fund and the City budgeted \$150,000 in 2009 for the arbitrage payment. This money is no longer needed for that purpose and is very good news for the Water Fund. A formal report is expected in the next week and it will be circulated.

**Second Quarter 2009 General Fund Oversight Report.** Since the Second Quarter 2009 General Fund Oversight Report was circulated, there were some minor wording changes, but the report indicates the following:

- **General Fund Charges.** \$1.17 million was taken from the Water Fund for General Fund charges (\$2.34 million is budgeted) in the First Quarter. No additional money was taken in the Second Quarter.
- **Maximus Full Cost Study for 2008.** The Study was reviewed and indicates \$2,989,791 in General Fund and Pension charges were appropriate charges to the Water Fund. The 2008 budget shows \$2,982,275 was used from Water Fund for General Fund and Pension charges. The difference of \$7,516 will be applied as credit toward the \$389,976 overcharge to the Water Fund from 2007, for a net amount of \$382,460 to be paid by the City by June 30, 2010.

### **Third Quarter 2009 Income/Expense Projection and Budget Comparative.**

#### **Income and Expense Projection for the 3<sup>rd</sup> Quarter 2009:**

- Cash on Hand at September 1 - \$397,300 in various accounts
- Revenues Receivable – \$97,410 for the 3<sup>rd</sup> Quarter.
- Total Cash on Hand – \$558,120 at the end of the 3<sup>rd</sup> Quarter.
- Total Projected Professional, Administrative and Police Expenses – \$117,600 overall for the 3<sup>rd</sup> Quarter.
- Total Projected Cash on Hand at the end of the 3<sup>rd</sup> Quarter – \$440,520.

#### **Expense Budget Comparative for the 8 months ended August 31:**

- Professional Services – \$117,629, 79% of budget and over budget mainly due to financial advisor fees working on planning efforts and other financial issues. The Trustee fees are high due to the fact that they failed billing an issue for the previous three years.
- Security and Property Expenses – \$11,175, 33% of budget.
- Administrative Expenses – \$139,387, 59% of budget.
- Overall – \$268,192, 64% and slightly under budget.

**2010 Pension Contribution.** Mr. Repasch informed the Board of the Authority's pension plan obligation for the year 2010 in the amount of \$7,475, which will be included in the 2010 budget. This information is required to be shared with the Board by the end of September. There is no action required.

### **REPORT OF THE CONTROLLER**

Mr. Filipos' report for the month ended August 31, as circulated and filed, was accepted without comment. He noted the Emmaus Loan principal payment of \$535,000 was paid August 1.

#### **Ratification of Investment**

**Excess Operating Funds CD.** A CD investment with Lafayette Ambassador Bank in the amount of \$110,481 matured on September 3. Short term CD rates were sought from several local banks. Team Capital Bank offered a business savings rate of 1.50%, better than the CD rates and better than some other money market/savings products. The recommendation circulated to the Board was to invest the money in a Team Capital Bank savings account to earn a higher rate of return at least until CD rates improve, as well as to keep these excess funds liquid in case they are needed. This action needs ratification.

There was a brief discussion as to how Team Capital can pay a non-variable rate of 1.50% on a savings account. It was said that Fed Funds can be borrowed by the bank for less than that and the theory is to build capital and customers. Also, the money can be moved at any time if the rate would drastically drop.

Mr. Gower moved to ratify the investment of \$110,481 into the Team Capital Bank savings account. Mr. Master seconded. Motion passed unanimously.

Chairman Jobs queried the six CD's maturing in October. Ms. Reppert indicated the total amount maturing before the next meeting is ~\$1.22 million. The Board may be able to provide more input at that time on how it would like to reinvest the money.

Mr. Gower said even though the financial world has improved, our strategy should not change. We still need to be mindful of diversification for the FDIC coverage, even if it means sacrificing yield. The other Board members concurred.

**Resolution 307 – Approval of Professional and Administrative Expenses** Ms. Reppert presented Resolution 307, as circulated and filed, to the Board for approval. The total amount is \$101,565.11 and consists of the following:

- Requisition 296 - City's water capital invoice totaling \$69,471.38.
- Professional and Administrative expenses totaling \$32,093.73.

Chairman Jobs queried why the water capital expenses were light this month and also at what point next year the City believes it will reach the BRIF threshold. Mr. Brong responded that most of the major capital efforts for this year have been completed. He anticipates that ~\$1.5 million from the BRIF will be available through mid 2010, based on his preliminary capital plan of ~\$3 million.

Mr. Tallarico queried if the Wickford Group provides updates on the work they are doing. Mr. Brong responded yes, designs for security improvements are complete, but there has not been any construction yet. They are applying for a grant that would help fund the improvements.

Mr. Gower moved to approve Resolution 307. Mr. Tallarico seconded. Motion passed unanimously.

### **REPORT OF THE SOLICITOR**

Nothing to report.

### **REPORT OF THE CONSULTING ENGINEER**

There is no report filed. Mr. Repasch indicated he and City staff are meeting with Neal Kern from Barry Isett & Associates to outline the plans for the inspections and the valve replacement project.

### **REPORT OF BETHLEHEM AUTHORITY SPECIAL POLICE**

Officer Meixell's report, as filed and circulated, was accepted. A joint ATV patrol over the Labor Day weekend was uneventful.

### **WATER REPORT**

The Water Report for the month of August 2009, as filed, indicates the reservoirs are at 100.35% capacity. The report was accepted.

## **CITY OF BETHLEHEM DIRECTOR OF WATER AND SEWER RESOURCES**

Mr. Brong reported the following as of August 31:

- Receipts are \$11.4 million against a revenue plan of \$12.1 million. Invoicings are \$11.8 million.
- Expenses are considerably below plan.
- Cash balance in the Water Fund is \$2.3 million and the fund continues to perform well. They are taking steps to optimize the fund's cash position leading into November.

**PUC Territory Expansion.** At this point, the City is in a settlement negotiating position with Easton Suburban Water Authority for the City to provide water service to the Mill Creek (Ashley) development, which is immediately adjacent to the City's existing service territory. He believes this will be resolved without PUC litigation. Also, in the spirit of regionalism, he believes there will be some type of language in the agreement for the parties to meet and discuss if there is ever any desire for the City to expand eastward or for Easton to expand westward. This will conclude the territory expansion efforts.

## **OTHER BUSINESS**

Mr. Master stated the Authority stepped back from pursuing the operating authority issue. During previous discussions, he felt it was a politically difficult endeavor. He has reconsidered his position on the operating authority evaluation and feels the Board should move forward on the issue again. The reasons are:

- 1) The territory expansion effort has been expensive, mostly because of having to hire a PUC attorney. An operating authority doesn't need PUC approval. There might be regulatory issues to overcome, but not to the extent of that of the PUC.
- 2) An operating authority would be able to set its rates appropriately for the cost of doing business. The City can't do that. And now with the State budget and pension issue, expenses are volatile.
- 3) The present financial situation may make it difficult to finance an operating authority but the rates would be set to properly include debt service. The City is a relatively low-cost utility with attractive rates in region compared to Easton. We should be able to finance the operation of the utility much more easily but can't because of the PUC process of approving rates.

The other Board members agreed that this needs to be seriously looked at again. Mr. Master will provide a report on what the obstacles are and if they can be overcome. He will revisit concerns that were raised in the past. At Mr. Broughal's suggestion, he will contact PRAG and bond counsel, since they weighed in on this topic in the past. This is a massive undertaking and their input is crucial, especially with the timing of the bonds.

## **COURTESY OF THE FLOOR**

Mr. David McGuire commented on the following:

- He lauded Chairman Jobes and the Board for the recent op-ed article on regional water distribution and planning. This was long overdue. Regional water distribution has received no attention from the Lehigh Valley Planning Commission.



- He feels the Board should consider a forest management plan for Wild Creek. He recalled a discussion with Mr. Repasch about insects infesting some trees in that area. Mr. Repasch said there was one plantation that had indications of blight. Since that time, it seems to have gone away, so it could have been a seasonal event. However, the plantation is very old, the trees are too close, they are not growing and they are dying out because the plantation was never harvested. The good trees have no room to grow and the bad trees are getting worse. Trees are subject to disease and insects when not healthy. Mr. McGuire said several months ago, the Sierra Club was interested in what was going on with the trees in Wild Creek. He's taken aback that there's a harvesting plan being considered. To have goodwill and have no controversies, it's much better for the Authority to reach out to the public first.
- Regarding wind turbines, most are aware that The Nature Conservancy provided commentary on siting and in general, the Sierra Club supports those concepts and principals in siting. The Authority must look into the proximity of any wind energy project to the Kittatinny Ridge, which is a very well-known international flyway. It is a very big environmental problem, as well as a public relations problem.
- A columnist from the Morning Call had two articles about wind turbines and one referred to the town of Frackville (which is in close proximity to Locust Ridge) where it appeared there was a disgusting, clear-cutting of several square miles of forest hills and ridges. If it is true, it is an abomination. From a public relations standpoint, if the Authority considers any wind energy project, please do business with an environmentally friendly company.

Chairman Jobs said he appreciates any help the Sierra Club can provide in promoting regionalism.

Mr. McGuire said the Authority should consider talking to the Lehigh County Executive and the Lehigh County Authority's many county connections.

### **NEXT MEETING DATE**

Chairman Jobs indicated that the next meeting is scheduled for October 8, 2009 at 3:30PM.

### **ADJOURNMENT**

There being no further business, Mr. Gower moved to adjourn the meeting. Mr. Master seconded. Motion passed unanimously and the meeting adjourned at 5:15 PM.

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Richard L. Master, Secretary